

# FDIC State Profile

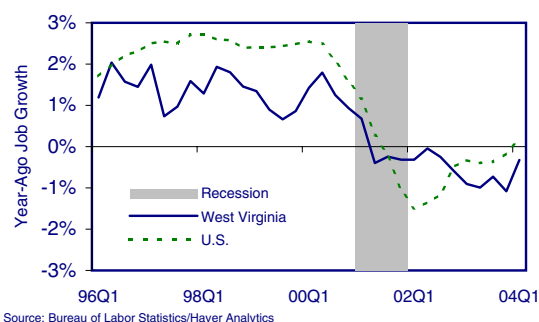
Summer 2004

## West Virginia

### Employment Continues to Contract in West Virginia, Though Beginning to Moderate

- Employment in West Virginia remained down from year-ago levels in early 2004; however, the rate of loss has moderated (See Chart 1).
- Initial unemployment claim filings continue to decline also reflecting improved economic conditions. Both declining jobless rates and initial unemployment insurance claims also may indicate a bottoming out in the state's economic downturn (See Map 1).
- The size of the labor force continued to trend higher in first quarter 2004, reversing a post-recession trend of labor force losses. Population outflows, which have constrained more rapid economic growth in West Virginia, may be moderating. In 2002 and 2003, the U.S. Census Bureau estimated that the state's population increased marginally. While substantially less than the national average, population increases were a marked improvement over the last six years when the state's population base declined.
- Renewed interest in coal resulting from high energy prices may be a boon for the state in the coming months. In the mid-1990s, environmental issues increased the use of natural gas over coal, and employment in the state plunged. Tighter federal air-pollution control standards are expected to increase demand for coal, which could result in the recall of many laid-off miners in the state.
- National average home price appreciation outpaced increases in West Virginia home prices (See Chart 2). Although state growth rates are trending at post-recession highs in some areas, other areas, such as Charleston, have seen home prices decline by as much as 10 percent in recent quarters due to weak local economies. Borrowers may be coming under increasing stress, however, as bankruptcies are at record levels and mortgage delinquencies are down only slightly from their peak. The recent rise in interest rates may further aggravate borrowers' ability to meet debt service obligations.

Chart 1: Though Moderating, Employment Losses in West Virginia Persist



Map 1: Employment in West Virginia Remained Down from Year-Ago Levels in Early 2004

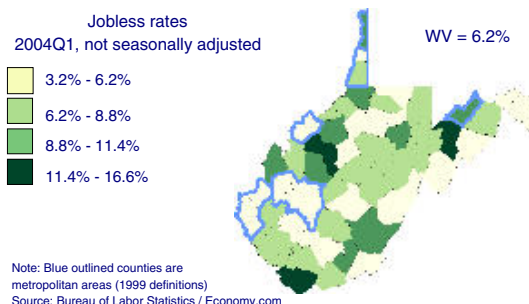
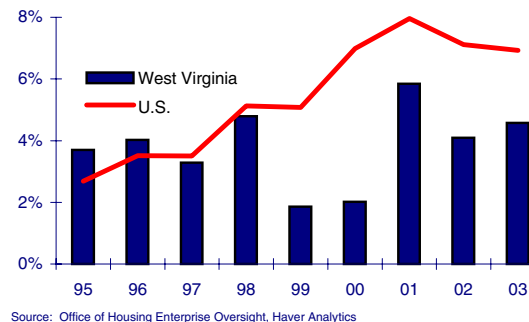


Chart 2: West Virginia Home Prices are Growing Well Below the National Average

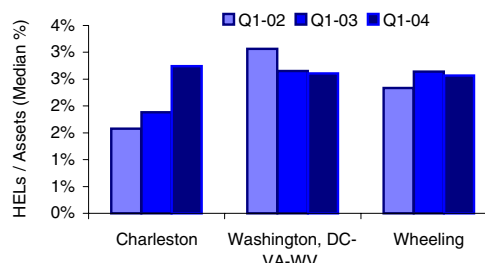


## State Profile

### Banking conditions in West Virginia remained healthy.

- Net income at West Virginia community banks remained mostly stable for the first quarter 2004 at \$21 million while the return-on-assets (ROA) ratio, remained flat from a year earlier on a median basis at 0.97 percent. Median net interest margins improved to 4.3 percent at March 31, 2004, up from 4.2 percent a year ago. Higher net interest income as well as improved efficiencies generally offset the decline in noninterest income. Favorably, the worst performing banks, those in the bottom quarter of earnings performance, showed strong improvement. These banks experienced a 13 basis point increase in ROA to 0.79 percent at the end of the first quarter 2004.
- Growth in the loan portfolio surged during the first quarter 2004, as the median loan-to-asset ratio jumped almost 400 basis points to 64.4 percent from a year earlier. The greatest activity occurred in the nonresidential component of the commercial real estate (CRE) loan segment, which also includes construction and multifamily loans. CRE loans now represent 18 percent of assets, up from 16 percent at March 31, 2003. Credit quality appears solid, with improvement in noncurrent loans and charge-offs for the first quarter.
- Construction and development (C&D) lending continued to grow in some metro areas. The fastest growth occurred in Charleston where the median C&D loan to asset ratio rose to 1.76 percent, up 66 basis points from year-end and almost nonexistent levels a year ago. In Wheeling, the median ratio rose 64 basis points during the quarter to 1.64 percent. While these levels are below the national urban median, the surge in growth coupled with weakness in home prices is noteworthy.
- In some urban areas in the state, median home equity loans (HELs) reached levels greater than 2 percent of assets at March 31, 2004. Growth in this loan category was driven primarily by banks located in the Charleston MSA, where HELs as a percentage of assets grew almost 1 percent since March 31, 2003 to 2.8 percent (See Chart 3). HELs as a percentage of assets were at least 2 times the national median in several of the other large MSAs including Washington, D.C., Huntington, and Wheeling.
- Median Tier 1 capital remained in good condition and improved in the first quarter to 9.8 percent, up from 9.6 percent at March 31, 2003, and higher than the 9.1 percent national median. In addition, improving reserve levels climbed to 1.9 times noncurrent loans, up from 1.65 times in the year earlier period and in line with the national median.

Chart 3: Home Equity Lending Continued to Increase in Several MSAs



Source: Bank Call Reports, March 31st.

## State Profile

### West Virginia at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	74	76	77	77	87
Total Assets (in thousands)	19,132,906	20,592,136	19,539,170	18,456,217	23,934,235
New Institutions (# < 3 years)	3	2	3	5	5
New Institutions (# < 9 years)	11	10	10	8	9
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.76	9.62	9.85	9.78	9.96
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	2.07%	2.67%	2.78%	3.02%	2.18%
Past-Due and Nonaccrual >= 5%	12	15	15	13	17
ALLL/Total Loans (median %)	1.13%	1.24%	1.20%	1.14%	1.17%
ALLL/Noncurrent Loans (median multiple)	1.89	1.30	1.28	1.26	1.65
Net Loan Losses/Loans (aggregate)	0.22%	0.20%	0.90%	0.50%	0.37%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	2	2	3	6	4
Percent Unprofitable	2.70%	2.63%	3.90%	7.79%	4.60%
Return on Assets (median %)	0.95	0.95	0.92	0.84	1.00
25th Percentile	0.76	0.66	0.64	0.57	0.70
Net Interest Margin (median %)	4.22%	4.11%	4.15%	4.10%	4.33%
Yield on Earning Assets (median)	5.67%	6.20%	6.97%	7.99%	7.98%
Cost of Funding Earning Assets (median)	1.53%	1.98%	2.70%	3.95%	3.64%
Provisions to Avg. Assets (median)	0.13%	0.14%	0.17%	0.15%	0.13%
Noninterest Income to Avg. Assets (median)	0.47%	0.48%	0.47%	0.44%	0.49%
Overhead to Avg. Assets (median)	2.92%	2.92%	2.95%	2.92%	3.00%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	76.59%	72.41%	73.64%	74.51%	72.42%
Loans to Assets (median %)	63.80%	60.61%	62.56%	62.20%	62.21%
Brokered Deposits (# of Institutions)	10	9	6	4	5
Bro. Deps./Assets (median for above inst.)	0.79%	0.66%	0.65%	1.11%	2.06%
Noncore Funding to Assets (median)	14.08%	12.06%	12.15%	12.59%	12.03%
Core Funding to Assets (median)	73.82%	76.18%	76.66%	75.96%	76.62%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	36	34	35	33	39
National	17	21	21	23	26
State Member	14	14	14	14	15
S&L	1	1	1	1	1
Savings Bank	6	6	6	6	6
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	53	6,283,165	71.62%	32.84%	
Charleston WV	5	2,954,193	6.76%	15.44%	
Wheeling WV-OH	4	4,052,587	5.41%	21.18%	
Huntington-Ashland WV-KY-OH	4	830,245	5.41%	4.34%	
Steubenville-Weirton OH-WV	3	607,383	4.05%	3.17%	
Parkersburg-Marietta WV-OH	3	3,994,682	4.05%	20.88%	
Washington DC-MD-VA-WV PMSA	2	410,651	2.70%	2.15%	